GOVERNMENT OF INDIA
AGRICULTURE
LOK SABHA

UNSTARRED QUESTION NO:1874
ANSWERED ON:03.03.2003
LENDING OF MONEY BY NABARD
DR. KIRIT SOMAIYA;KINJARAPU YERRANNAIDU;N.N. KRISHNADAS

Will the Minister of AGRICULTURE be pleased to state:

(a) whether NABARD is lending money to State Cooperatives at the rate of six percent whereasagricultural loans are being disbursed by the cooperative banks at an interest rate ranging from 16-18 percent;

(b) if so, the reasons therefor;

(c) whether interest rate on loan given for industrial and business purposes are much lower than on the agricultural loans;

(d) if so, the details and the reasons thereof;

(e) whether the Government propose to bring down the interest rate on agricultural loans in parity with the interest rate on the industrial and business loans;

(f) if so, the details thereof; and

(g) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE (SHRI HUKUMDEO NARAYAN YADAV)

(a) & (b): NABARD provides refinance to Cooperative Banks at 5.5% to 7.5 rate of interest forshort-term Seasonal Agricultural Operations (SAO) loans However, the refinance constitutes only about22% of the total lending by the Cooperative banks which have to raise other costly resources. Secondly, NABARD provides refinance to the State Cooperative Banks which further pass on to the Primary Agricultural Credit Societies (PACs) after retaining some margin.The rate of interest charge from the ultimate borrowers, however, ranges from 13% to 16%.

(c) & (d): The rate of interest charged on loans for industrial and business purposes are less in some cases. The main reason is the perceived lower risk cost and the lower supervision cost per unit.

(e) & (f): Yes, Sir. The matter for dispensation of agriculture credit at comparatively lower and affordable rates of interest has been taken up with the Ministry of Finance at the level of the Agriculture Minister.

(g): Does not arise.